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Russian Federation

Fresh Deciduous Fruit

Annual

2007

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Report Highlights:
Russia is the largest importer of apples and pears in the world, and imports are growing 20 to 30 percent per year. Rising consumer incomes throughout Russia are increasing demand for U.S. fresh fruits, and the U.S. is the second largest supplier of apples and pears to the Russian Far East (RFE). U.S. fruit importers are diversifying their product lines with table grapes, cherries, and other fruits. Logistics issues in the Port of Greater St. Petersburg continue to impede the pace of U.S. fruit exports to the Russia. The report contains market insights into the Russian fruit market.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Moscow ATO [RS4]
[RS]

Executive Summary

Russia is the largest importer of apples and pears in the world. U.S. apples and pears are gaining popularity in Western Russian and the Russian Far East (RFE) and fruit importers are diversifying their product lines with table grapes and cherries. Congestion in the Port of Greater St. Petersburg continues to impede faster growth of U.S. fruit imports.

Production

According to official statistics, Russians produce 88% of fruits domestically on household plots. These fruits are consumed fresh or canned for later consumption; surplus fruit is sold in local wet markets. Commercial fruit production in Russia is concentrated in three main growing regions: Krasnodar (44%), Voronezh (15%), and Lipetsk (8%) regions. Commercial producers supply supermarkets from June to January. Apple crops grown for commercial use consist of such varieties as Red Chief, Golden Delicious, Semerenka (a Russian light green sour variety), Granny Smith, Gala, and Fuji. Commercial pear producers grow local varieties as well as Conference, Anjou, and other varieties. Sad Gigant, a commercial producer in the Krasnodar region, provides most apples to local stores. In 2006 the apple fruit bearing area totaled 348 thousand hectares with a crop yield of 1.25 million metric tons. Pear orchards in 2006 totaled 38 thousand hectares with a crop yield of 130 thousand metric tons. At the time of this report, official statistics on the MY 2007[1] crop were not available; however, analysts expect MY 2007 production significantly to exceed MY 2006.

As reported previously, the harsh winter in MY 2006 significantly reduced fruit production in the Krasnodar region, as pear, grapes and stone fruit trees sustained serious damage. The St. Petersburg ATO traveled to the Krasnodar region in May 2007 and observed that producers are planting new trees. Producers expect domestic fruit supplies to reach pre-frost levels in a few years.

Apple orchards overwintered this year with less damage, making MY 2007 an “apple year” for most of the households of Central and South Russia, and domestic apples are still available on supermarket shelves. Early winter temperatures were above average, and the snowfall protected apple trees during the frost.

Increasing Imports of Fruits and Nuts

According to official statistics, there is a growing market for fruit and nut exports to Russia. In CY 2006 Russia imported 4.7M metric tons of edible fruit and nuts worth $3 billion. In CY 2005, Russia imported 3.9M metric tons, worth $2.1 billion, and in CY 2004, Russia imported 3.8M metric tons worth $1.6 billion. Leading exporting countries include: Ecuador, Turkey, Uzbekistan, Argentina, China, Morocco, Poland, Azerbaijan, and South Africa. Leading European exporters are Spain, Italy and Belgium.

Apple Imports

In CY 2006, Russia was the world’s largest importer of apples; Russia imported a record 815 thousand metric tons worth $352 million, according to official customs statistics. Russian apple imports in CY 2005 and CY 2004, totaled 721 thousand metric tons and 705.4 thousand metric tons, respectively, worth $294 million and $237 million, respectively.

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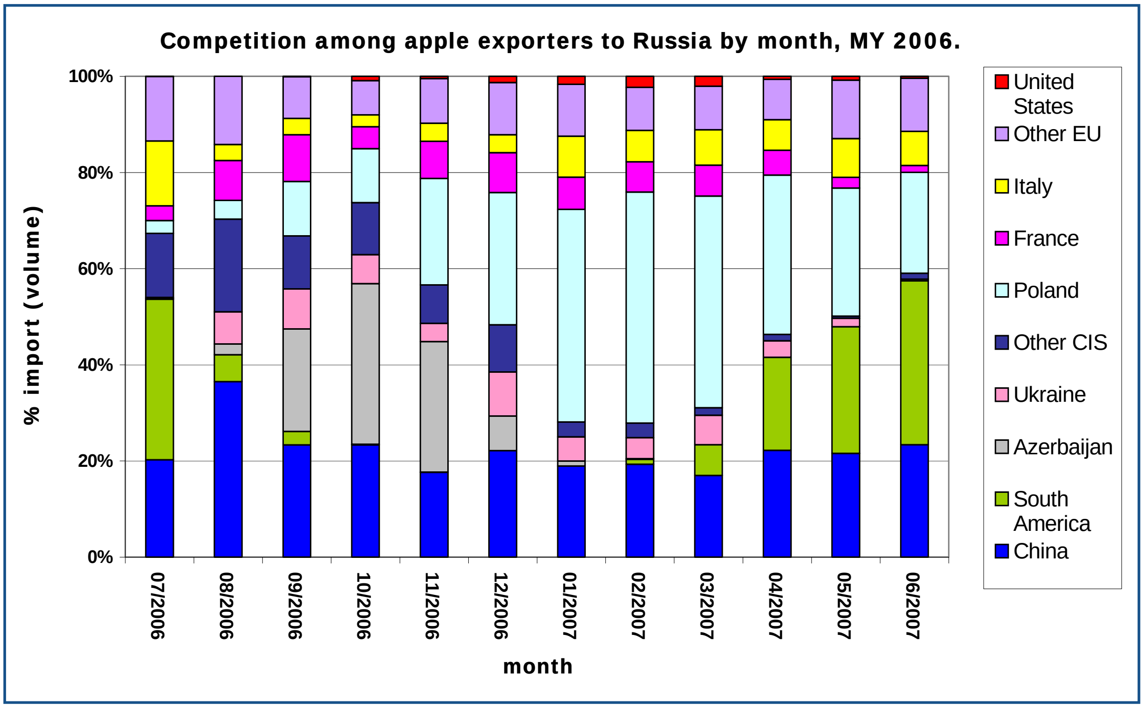
[1] The marketing year (MY) is July-June. For example, MY 2005 is from July 2005 to June 2006.

Germany and the UK placed second and third, in terms of import volumes, with 699 thousand metric tons and 539 thousand metric tons respectively.

Table 1. Import Trade Matrix for Apples, MY 2005-2006, Metric Tons

Country	Russian Federation		
Commodity	Apples, Fresh		
Time Period		Units:	Metric tons
Imports for:	2005		2006
U.S.	5,702	U.S.	9,457
Others		Others	
Poland	143,428	Poland	251,018
China	129,019	China	177,078
Azerbaijan	69,360	Argentina	59,913
Ukraine	51,288	Italy	54,319
Argentina	51,145	Azerbaijan	53,531
Italy	49,871	France	47,585
France	42,031	Ukraine	38,085
Belgium	32,930	Belgium	30,377
Chile	23,641	Chile	29,458
Kazakhstan	18,214	Germany	23,177
Total for Others	610,927		764,541
Others not Listed	98,646		134,004
Grand Total	715,275		908,002
Source: World Trade Atlas, based on data from the Russian Customs Service.			

Figure 1. Russia: Leading Apple Exporters to Russia, by month, MY 2006



Definitions	
Other EU	Belgium, Spain, the Netherlands, Germany, Greece
Other CIS	Kazakhstan, Kyrgyzstan, Uzbekistan
South America	– Argentina, Chile
Source: Data for Figure(s) 1 and 2 collected from World Trade Atlas, based on data from the Russian Customs Service	

Figure 2. Russia: Total Volume of Pear Imports, by Month, MY2006

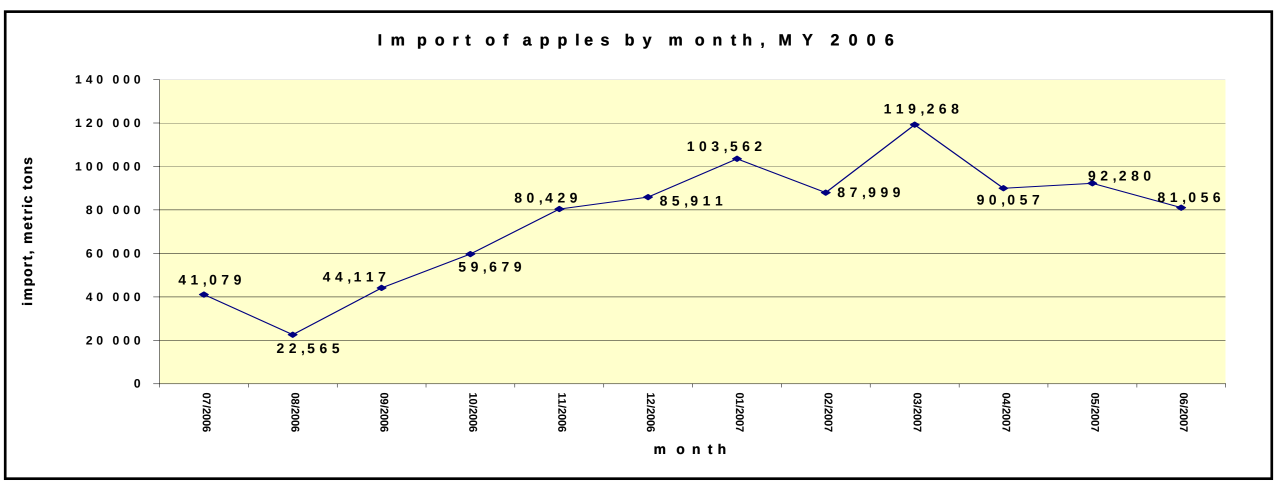


Table 2. PSD Table, Apples, Metric Tons

Country	Russian Federation						
Commodity	Apples, Fresh						
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2005		07/2006		07/2007	MM/YYYY
Area Planted	413,300	413,300	420,000	348,000	0	360,000	(HA)
Area Harvested	350,300	350,300	350,000	290,000	0	305,000	(HA)
Bearing Trees	135,000	135,000	120,000	100,000	0	110,000	(1000TREES)
Non-Bearing Trees	26,000	26,000	38,000	31,500	0	30,000	(1000TREES)
Total Trees	161,000	161,000	158,000	131,500	0	140,000	(1000TREES)
Commercial Production	1,183,000	1,183,000	1,100,000	810,000	0	1,000,000	(MT)
Non-Commercial Production	380,000	380,000	380,000	440,000	0	400,000	(MT)
TOTAL Production	1,563,000	1,563,000	1,480,000	1,250,000	0	1,400,000	(MT)
TOTAL Imports	750,000	750,000	890,000	908,000	0	1,000,000	(MT)
TOTAL SUPPLY	2,313,000	2,313,000	2,370,000	2,158,000	0	2,400,000	(MT)
Domestic Fresh Consumption	941,000	941,000	1,002,000	1,027,000	0	1,140,000	(MT)
Exports, Fresh Only	2,000	2,000	3,000	2,000	0	3,500	(MT)
For Processing	1,350,000	1,350,000	1,350,000	1129000	0	1,256,500	(MT)
Withdrawal From Market	20,000	20,000	15,000	0	0	0	(MT)
TOTAL UTILIZATION	2,313,000	2,313,000	2,370,000	2,158,000	0	2,400,000	(MT)

Table 3. Russia: Prices of Imported Apples, US Dollars per Metric Ton

Country	Russian Federation		
Commodity	Apples, Fresh		
Prices in	US Dollars	per uom	Metric ton
Year	2005	2006	% Change
Jan	400	420	5%
Feb	400	420	5%
Mar	410	420	2%
Apr	410	430	5%
May	430	430	0%
Jun	440	450	2%
Jul	440	480	9%
Aug	390	480	23%
Sep	360	430	19%
Oct	370	430	16%
Nov	390	430	10%
Dec	410	440	7%
Source: World Trade Atlas, based on data from the Russian Customs Service.			

Pears

Per capita annual consumption of fruit in Russia is 34 kilos, which is substantially lower than European and U.S. levels; however, trade data indicate that Russians are closing the fruit consumption gap with Western consumers. According to official customs data, in CY 2006 Russia was the world's largest importer of pears with a record 327 thousand tons worth $203 million. In CY 2005, Russia imported 313,430 tons of pears worth $156 million, and in CY 2004 Russia imported 260,210 tons worth $104 million. Germany and the Netherlands placed second and third place with 539 thousand tons and 187 thousand tons, respectively.

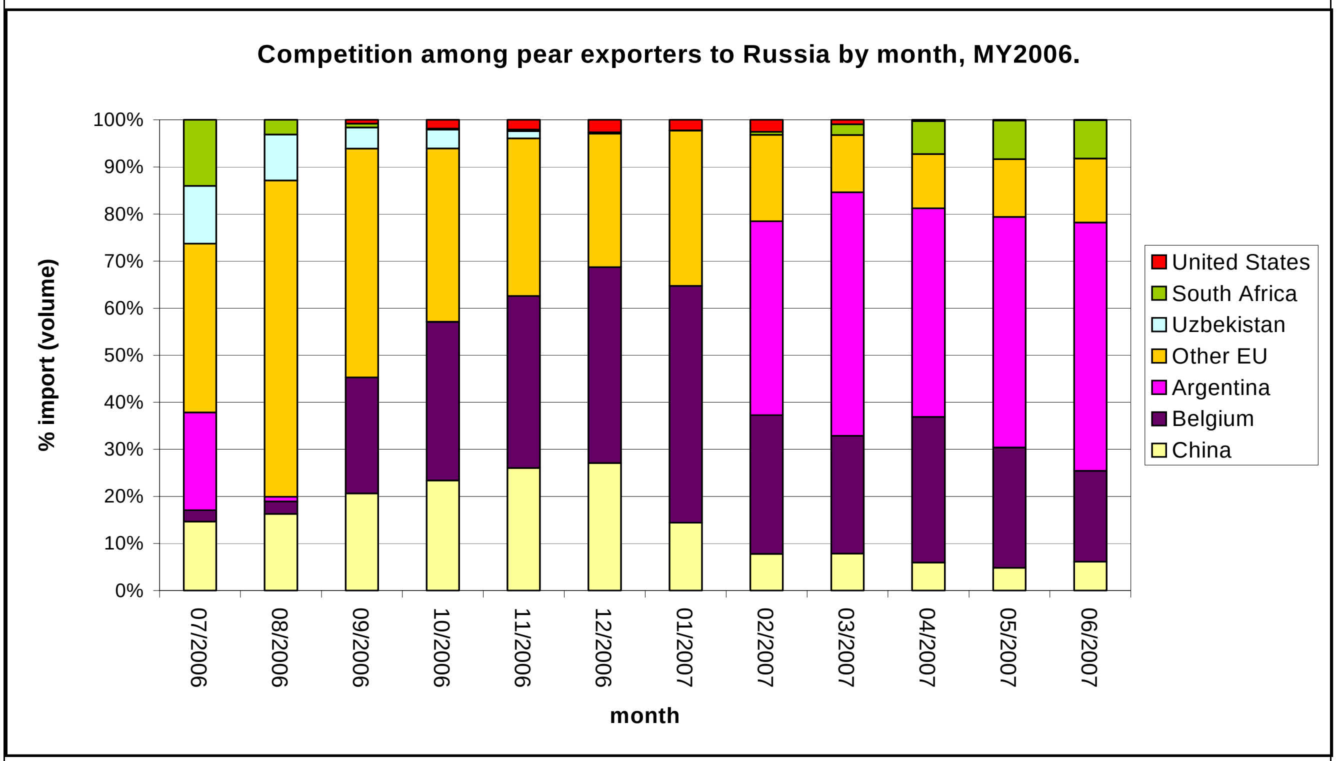
Analysts expect the growth in fruit consumption to continue as Russian consumer incomes increase along with an orientation towards healthier lifestyles. Domestic fruit production is limited; therefore, fruit imports are necessary to satisfy market demand. Phytosanitary issues were not having a noticeable impact on the fruit market in 2007; however, in 2006 the Russian government did implement several temporary bans.

Russian consumers are sensitive to prices for fruit. It is likely that demand for high-quality produce will continue to grow, but will stay a niche market, while most of the market will be taken by a low-priced product. Decrease in customs tariffs and activation of new container terminals will make imported produce more competitive against cheap CIS produce.

Table 4. Import Trade Matrix for Pears, MY 2005-2006, Metric Tons

Country	Russian Federation		
Commodity	Pears, Fresh		
Time Period		Units:	Metric tons
Imports for:	2005		2006
U.S.	3,781	U.S.	4,385
Others		Others	
Argentina	80,819	Belgium	104,535
Belgium	75,895	Argentina	91,078
China	41,944	China	49,826
Netherlands	35,605	Netherlands	46,272
Spain	14,533	France	17,457
France	13,698	Spain	14,925
South Africa	8,926	South Africa	12,196
Portugal	8,263	Portugal	10,437
Chile	3,781	Uzbekistan	6,294
Kyrgyzstan	3,375	Italy	4,127
Total for Others	286,839		357,147
Others not Listed	18,953		19,092
Grand Total	306,458		380,624
Source: World Trade Atlas, based on data from the Russian Customs Service.			

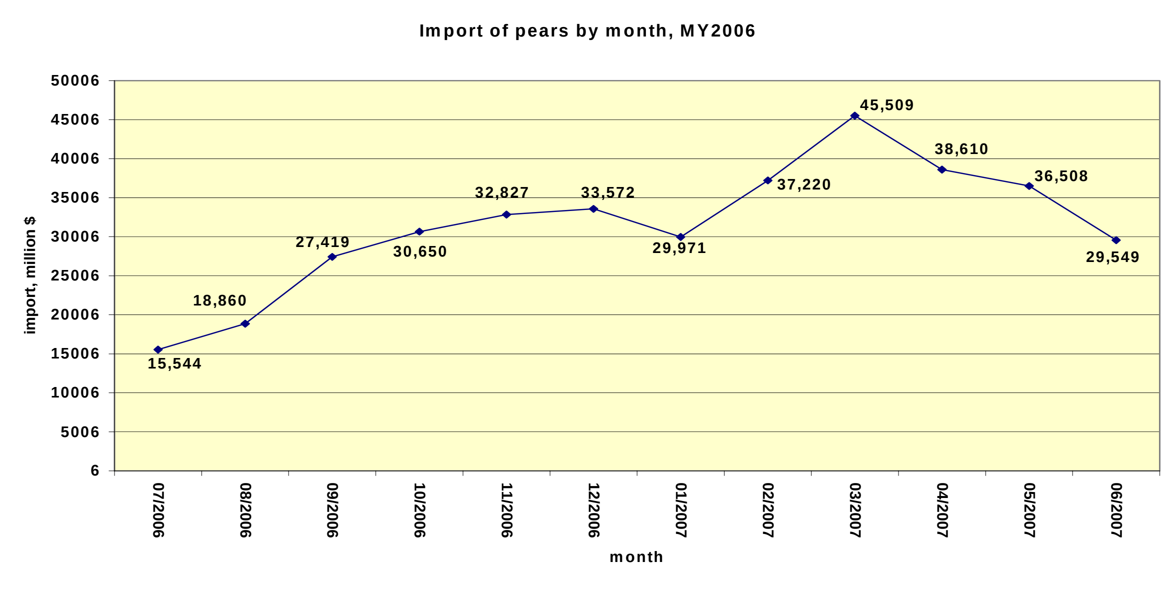
Figure 3. Russia: Leading Pear Exporters to Russia, by Month, MY 2006



Source: World Trade Atlas, based on data from the Russian Customs Service

Definition: Other EU – Spain, Portugal, Italy, the Netherlands, France

Figure 4. Russia: Total Value of Pear Imports. by Month, MY2006



Source: World Trade Atlas, based on data from the Russian Customs Service

Table 5. PSD, Pears, Metric Tons

Country	**Russian Federation**						
Commodity	**Pears, Fresh**						
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Planted	64,700	64,700	53,140	38000	0	55,000	(HA)
Area Harvested	50,800	50,800	35,600	25,800	0	36,000	(HA)
Bearing Trees	16,100	16,100	11,300	8,200	0	9,500	(1000 TREES)
Non-Bearing Trees	9,500	9,500	12,000	8,700	0	8,000	(1000 TREES)
Total Trees	25,600	25,600	23,300	16,900	0	17,500	(1000 TREES)
Commercial Production	114,100	114,100	71,000	52,000	0	65,000	(MT)
Non-Commercial Production	178,300	178,300	110,000	78,000	0	90,000	(MT)
TOTAL Production	292,400	292,400	181,000	130000	0	155,000	(MT)
TOTAL Imports	330,000	330,000	388,000	376000	0	410,000	(MT)
TOTAL SUPPLY	622,400	622,400	569,000	506000	0	565,000	(MT)
Domestic Fresh Consumption	484,200	484,200	462,800	411600	0	460,000	(MT)
Exports, Fresh Only	800	800	0	1400	0	1000	(MT)
For Processing	130,000	130,000	100,000	93,000	0	104,000	(MT)
Withdrawal From Market	7,400	7,400	6,200	0	0	0	(MT)
TOTAL UTILIZATION	622,400	622,400	569,000	506,000	0	565,000	(MT)

Table 6. Prices of Imported Pears, US Dollars per Metric Ton

Country	Russian Federation		
Commodity	Pears, Fresh		
Prices in	US Dollars	per uom	Metric ton
Year	2005	2006	% Change
Jan	440	530	20%
Feb	470	530	13%
Mar	470	520	11%
Apr	480	590	23%
May	480	580	21%
Jun	500	550	10%
Jul	530	670	26%
Aug	530	730	38%
Sep	520	710	37%
Oct	530	700	32%
Nov	530	690	30%
Dec	520	690	33%
Source: World Trade Atlas, based on data from the Russian Customs Service.			

Source of information

The above statistics and graphs were prepared based on the data of the World Trade Atlas, which uses data of the Russian Customs Service. Prices are based on CIF prices.

Other Fruit

Table grapes

Domestic grape producers in Russia lack sufficient marketing channels and thus access to retail markets in Central Russia, so producers concentrate on varieties for local consumption and wine production. As a result, demand for table grapes is outpacing supply and Russian retailers are relying on imports to satisfy consumer demand; and Russian consumers are paying premium prices for quality table grapes. In 2006 imports of fresh table grapes reached 321 thousand tons (25% growth in two years). Most of the imports arrived from Uzbekistan (140 thousand MT), Turkey (51 thousand MT), and Chile (24 thousand MT). Other suppliers include Italy, South Africa, Argentina, Tajikistan, China, and the U.S. (322 MT).

Cherries

Domestic cherry producers face similar logistics problems to those of table grape producers, and consequently, most cherries are consumed locally and do not reach supermarket shelves in Moscow or St. Petersburg. May through August is the peak import season for cherries in Russia. Cherry supplies from the Southern hemisphere are significantly smaller and arrive in November-January. In 2006, total cherry imports equaled 51K tons (65% growth in two years). Most of the imports arrived from Turkey (10 thousand MT), Uzbekistan (8.3 thousand MT), Kyrgyzstan (6.4 thousand MT) and Ukraine (2.4 thousand MT).

Berries

Berries are a traditional food in Russia, and strawberries, raspberries, cranberries and red bilberries are very popular. Most berries are harvested in forests and in small private orchards. Due to the seasonal availability of these fruits, consumer demand is growing for berry imports; and in 2006 Russia imported close to 20 thousand tons of berries. Strawberry imports increased more than doubled in the last two years and reached 18.7 thousand tons. Turkey, Poland, Spain, Belgium and the Netherlands export strawberries to Russia. Most U.S. berries are re-exported through Europe, thus reported U.S. berry imports are close to zero.

Exotic fruits

Exotic fruits are gaining popularity in Russia. About one third of Russians have tried an exotic fruit, such as, pineapple, avocado, litchis, carambola, papaya, or rambutan. According to the World Trade Atlas, Russia imported 14 thousand metric tons of exotic fruits (pineapples, guavas, mangos) in 2006. According to importers, annual fruit sales are growing at 10%, while annual growth in exotic categories is close to 20-30%.

Consumption

According to research from the Fruit and Vegetable Alliance, some favorite fruits of Russian consumers include:

- Apples (40 percent of Russians prefer an apple to other fruits);
- Bananas (31 percent) and oranges (28 percent);
- Grapes (22 percent) and pears (21 percent);
- Apricots, peaches, watermelons, mandarins, grapefruits, lemons, plums, pineapples and kiwifruits (7-18 percent);
- Pineapple, mango, avocado (less than 4 percent).

Out of the total of 34 kilos Russians consumed per capita in 2006, apples constituted 10.5 kilos (30%), and bananas (4.5 kilos) and citrus fruits (3 kilos) constituted 13% and 8%, respectively.

Policy

In November 2006, Office of The U.S. Trade Representative published the results of bilateral negotiations within the framework Russia's accession to the World Trade Organization (WTO) over Agricultural Goods Market Access. During WTO negotiations, Russia agreed to bind its tariffs on all agricultural products and lower its specific tariff rate on apples by 70-85% within five years after it joins the WTO. Multilateral negotiations are continuing with Russia expressing the intent to enter the WTO in summer 2008. U.S. producers and food processors, particularly of grains, dairy, fruits and nuts, wine, and livestock, will benefit from the market access provisions of the bilateral agreement when Russia joins the WTO.

Customs Duties and Fees on Fruit

Tariff rates on apples vary depending on the season to protect domestic producers. From January 1 to July 31 the tariff rate is Euro 100 per metric ton. From August 1 to December 31 it is Euro 200 per metric ton.

For other fruits, the tariff rate is a percentage of taxable value. For pears and grapes the tariff rate is 5% of taxable value. For grapefruit the tariff rate is also 5% of taxable value, but no less than EURO 20 per metric ton.

Similar to nut imports, a sanitary-epidemiological inspection certificate from the Russian Federal Veterinary and Phytosanitary Surveillance Service (VPSS) must accompany all fruit imports into the Russian Federation. In addition to VPSS approval, importers must obtain a product certificate from an authorized Russian certification agency for customs clearance. To obtain a product certificate, importers must have the following documents:

- Signed contract and transportation documents
- Certificate of origin
- Phytosanitary certificate from the exporting country's national phytosanitary authority
- Quality certificate
- Importer's license
- Certificate of Conformity

Logistics and Transportation: St. Petersburg Port Congestion

The Port of Greater St. Petersburg is a bottleneck for U.S. container shipments; port delays can add an additional 30 days of freight time. According to experts, U.S. fruit imports could increase 30-50% in November-January absent severe congestion in St. Petersburg, and other Baltic Sea ports are cost-prohibitive for many importers. Some importers truck containers to Moscow directly from the Netherlands and Germany, but this pays off only for expensive products. The United States Department of Agriculture (USDA) and trade associations are constantly working to obtain as much information as possible on the developments of the St. Petersburg port. Please contact Ksenia.Evdokimova@fas.usda.gov with your questions on the issue.

Marketing

Russian retailers are developing strategies to promote more fruit to consumers; currently fruit and vegetable campaigns are relegated to traditional methods used in retail stores. Retailers' in-store leaflets, or retail circulars delivered to customer's homes or on the streets usually promote fruits and vegetables, but normally don't include brand names or the logo of fruit and vegetable companies. Retail managers thus assume responsibility for developing 'brand recognition' among their customers. Merchandising displays (separate displays, power-zones, and shelf trays), seasonal sales, in-store announcements, and "SALE" or "BARGAIN" signs attract customers; however, these marketing tools are modest compared to other departments (alcohol, snacks, confectionery, and meat departments) in retail outlets. Store clerks may require additional training as well in promoting fruit to consumers and properly displaying fruit in retail markets. For example, fruits of one country are often sold under another country's sign; shop assistants mislabel price information, or misinform customers about country of origin.

Brand awareness can vary by region, and U.S. fruits have stronger brand recognition among consumers in Russia's Far East. Consumers in Western Russia are becoming more accustomed to U.S. fruit, however, in part because of the active involvement of the Washington Apple Commission and the North West Pear Bureau.

According to research by one Russian retailer, Russian consumers tend to buy unknown products when they see an advertisement (40 percent), or if the item is a new product (24 percent), or on sale (13 percent), or appears in interesting packaging (10 percent), or is recommended a friend (5 percent). Advertising in stores is uncommon in fruit departments, even though there are great opportunities to increase the volume of sales. According to one fruit department manager, in-store announcements and advertisements in the department helped increase sales of fresh table grapes by 4-5 times in a week.

One of the leading banana importers in Russia, JFC, launched an aggressive marketing campaign promoting Bonanza bananas. For more information, refer to www.bonanzaland.ru. Multinational corporations such as Dole, Chiquita, Del Monte occasionally post advertisements on the streets of large cities, public places, and other locations.

Pricing

Apples

Table 7. Apples: Average apple prices in Moscow supermarkets.

Month, year	Variety	Countries of origin	Price range, $ per kilo
June 2006	Red Delicious	Argentina	3.00-6.00
	Golden Delicious	Italy, Chile	1.70-4.00
	Granny Smith	France	1.90
	Other varieties $2-6		
July 2006	Red Delicious	Chile	2.00-4.50
	Golden Delicious	Chile, Europe	1.60-2.20
	Local varieties	Russia	1.40-1.60
	Other varieties $1.5-4.5		
August 2006	Red Delicious	Chile	2.50
	Golden Delicious	Chile, France	1.60-3.20
	Pink Lady	N. Zealand	4.60-5.70
	Other varieties 1.4-4.7		
September 2006	Granny Smith	Spain	2.20-2.40
	Jonagold	Netherlands	2.30-2.90
	Fuji	China	2.60-3.40
	Other varieties 1.04-4.50		
October 2006	Granny Smith	France	2.50-3.00
	Braebern	USA	3.80
	No variety	CIS	1.30-1.70
	Golden Delicious	Holland	2.30-2.70
	Other varieties 1.35-3.7		
November 2006	Idared	Poland	1.20-1.40
	Golden Delicious	France	2.40-3.50
	RedDel PinkLady Cameo	USA	8.20 8.40 8.90
	Other varieties 1.3-6		
December 2006	No variety	Poland, Ukraine	1.30-1.80
	RedDel,RedChief	Italy	2.40
	Golden Delicious	France	2.40-3.40
	RedDel PinkLady Cameo	USA	2.70-8.90 8.40 8.90

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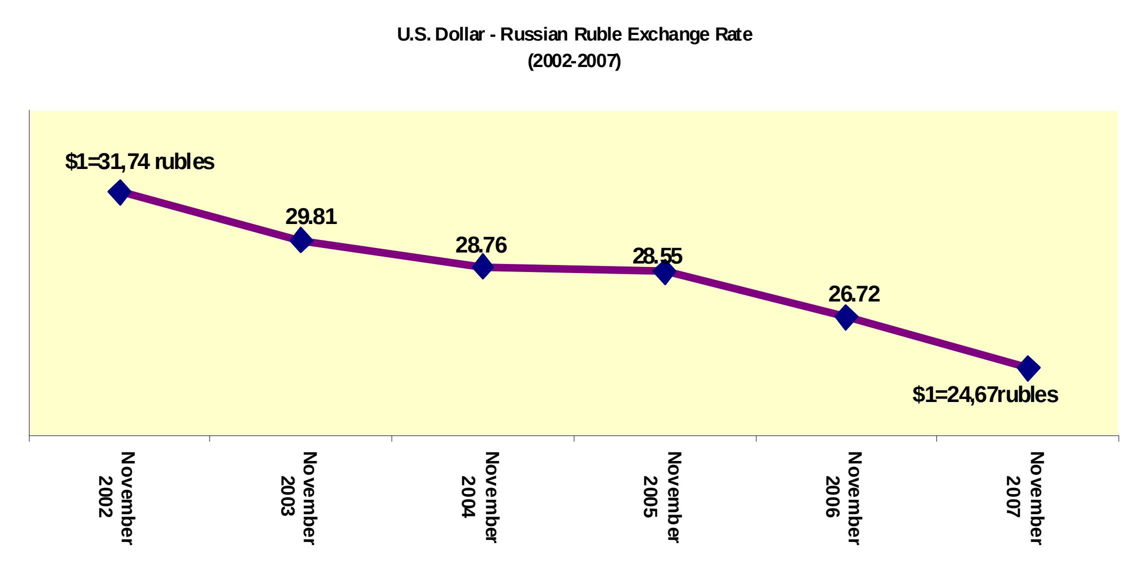
	Other varieties 1.3-5		
January 2007	Gala Royal	Italy	2.10-2.30
	Red Del	EU	2.00-3.20
	Fuji	China	1.90-2.30
	Red Del Braebern RedRome	USA	2.60-5.40 6.50 6.40
	Other varieties 2-4.8		
February 2007	Granny Smith	Italy	2.00
	Braebern	France	2.50-3.80
	RedDel RedRome Cameo	USA	2.60-3.80 3.90-4.00 7.40
	Local varieties	Russia	1.20-1.50
	Other varieties 1.3-3.4		
March 2007	Red Delicious	Argentina	1.80-2.50
	Red Delicious	USA	2.60-3.00
	Gala Royal	Italy	1.80-2.50
	Other varieties 1.8-3.5		
April 2007	Fuji	China	2.00
	Jonagold, Gloster	Germany	2.20-2.90
	RedChief, Reddel	USA	2.70-4.30
	Other varieties 1.7-3.5		
May 2007	Red Delicious	Argentina	1.70-3.70
	GalaRoyal GrannySmith	France	2.50-3.50 2.40-3.00
	Cripps Pink GoldenDel	Italy	2.30 2.90-3.50
	Other varieties 1.7-3.7		
June 2007	Braebern Pink Lady	Chile	2.80-3.30 3.70-4.00
	GoldenDel	France	2.10-3.40
	Pink Lady Red Chief	USA	8.60 2.80
	Other varieties 2.2-4		
Source: Listed prices in Moscow supermarkets			

Figure 5. Dollar/Ruble Exchange Rate
Dollar-to-Ruble depreciation increases the competitiveness of U.S. food exports



Vladivostok Market Overview

Vladivostok Executive Summary

Climate conditions and the structure of fruit production in the Russian Far East (RFE) impede the development of a commercial fruit sector, thus consumers rely on fruit imports to satisfy demand. According to the Russian State Statistics Agency (Rosstat), in 2005 the RFE territory produced 7.78 thousand MT of apples (0.5% of domestic apple crop) and 420 tons of pears (0.14% of domestic pear crop). Typically, fruit crops in the RFE are cultivated on small plots for household consumption, with surpluses sold in the open markets during the crop season.

The appreciation of the Ruble and the growing purchasing power of Russian consumers have increased the demand for high quality fruit products, and consumers recognize American fruits as quality products due to a 10-year promotional effort in the RFE by the U.S. Pear Bureau and Washington Apple Commission.

The RFE receives fresh fruit via ocean transport or Tran-Siberian railway. The RFE imports 90% of its fruits from Pacific Rim countries and Chile, and since 2003 the RFE fruit market grew 15%-20% annually. In 2006 the RFE imported 134 thousand tones of fruit valued at $80 million. The main fruit exporters to the RFE include China ($53 million)[2], Philippines ($18 million) USA ($3.2 million), Australia ($0.7 million), New Zealand ($0.5 million), and Chile ($0.4 million). U.S. fruit exports to the RFE increased 39% and totaled 4,600 metric tons. In September–October 2007 the RFE imported 170 containers of apples and pears,

[2] China is the major supplier of apples, pears, citrus, and grapes to the RFE, and accounts for 67% of exports to the region.

70% of total exports in 2006. New companies are interested in importing U.S. fruits, and experienced importers are marketing new fruit products to consumers.

Imports of apples from Belgium, France, South Africa, pears from Argentina, Belgium, South Africa, citrus from Spain and Turkey, fruits from Uzbekistan and the southern regions of the Russian Federation, travel to the Russian Far East by Tran Siberian railways. The shipments from St. Petersburg and those trucked from European and NIS countries are consolidated in Moscow. After the fruit shipment clears customs and the certification process, the distributor in Vladivostok ships the containers from Moscow to the RFE. The RFE customer pays the Moscow importer a commission, in addition to the 6,000 mile transportation costs. As a result, consumers in the RFE pay higher prices for these fruits than their counterparts in western Russia. Fruit imports from ocean transport are more competitive in terms of price, and thus fruits from Pacific Rim countries dominate the Russian Far East market.

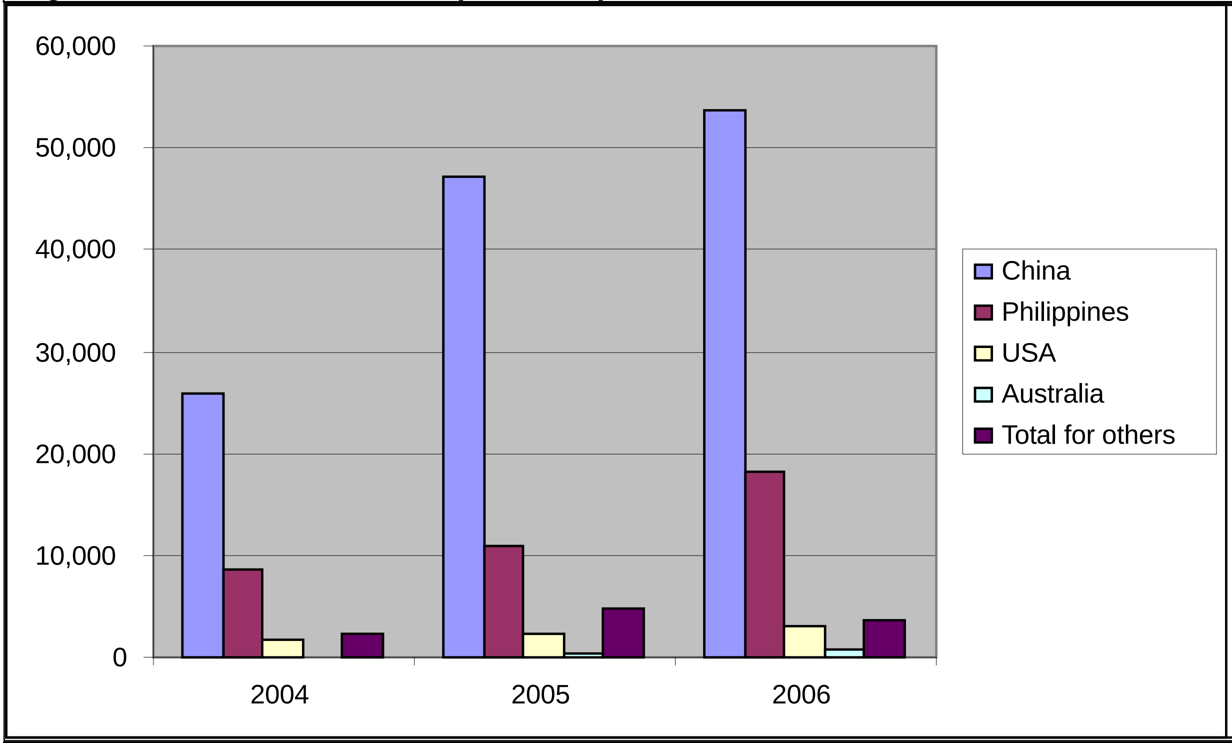
Importers estimate that fruits delivered from Moscow cover 2-3% of apple market, 10% of the pear market and 15% of the market for citrus in the Russian Far East. Figure 5 (shown below) shows only numbers of product cleared within the Russian Far East Customs District.

RFE Fruit Trade with China and the United States

China is the main supplier of apples, pears, tangerines, oranges, and some exotic fruits to the RFE market, and accounts for 67% of total export value to the region. According to RFE Customs data, in 2006 China exported 91 thousand tons of fruit worth $53 million. Chinese products have a logistical advantage in RFE markets, and Russian importers have established trade contacts and access to credit markets. As a result, total fruit imports form China doubled in 2005 and increased 30% in 2006.

In spite of the trade growth, Russian consumers are concerned about the quality of Chinese fruits and some consumers switch from Chinese fruits, when they can afford fruits from other countries. To combat the image problem, China took measures to improve fruit variety, packaging, and announced a campaign to improve the image of Chinese products. The marketing campaign may increase retail prices for Chinese apples and erode China’s competitive edge in the RFE fruit market. The seasonal shortage of Chinese apples in August – September also increases the visibility of American fruits.

Figure 6. Russian Far East Imports: Imports of Fresh Fruit, $1000 dollars



Source: Russian Far East Customs data 2006

The U.S. is the second largest supplier of apples and pears to the Russian Far East. Since 2003 U.S. apple and pear exports increased 20% annually. In 2006 the RFE imported 4.4 thousand metric tones of American fruits- 36% of total US fruit exports to Russia. In September-October 2007 the RFE imported 170 containers of apples and pears from US West Coast and accounted for 70% of total sales in 2006. Apples and pears are available from October through June; and they compete mainly with Belgium, Argentina, South African, and sometimes with fruits New Zealand.

New Trends in Fruit Supply in the Russian Far East

Market analysts believe the market for U.S. fresh fruit in the RFE will continue to grow. In addition to fresh fruit consumption increasing with household incomes, U.S. exporters may find the RFE market less competitive than Western Russia. As discussed earlier, the RFE lacks commercial fruit production due to environmental and structural constraints, and U.S. exporters would face less competition from Western Europe for the RFE fruit market. Finally, rising prices for Chinese fruit products and consumer preference for U.S. fruits are starting to erode China's competitive position as the main fruit supplier in the RFE.

For example, in 2004 Chinese apples were three times less expensive than U.S. apples; however now Chinese apples can sometimes reach 2/3 the price of U.S. apples. Since 2004 the average supermarket price for Chinese apples increased three times and now reaches $2.4 per kg. U.S. apple prices have increased as well, but not as dramatically as Chinese apple prices. Currently, the average price for U.S. apples in the supermarkets is $3.6 per kg. Analysts believe that as the price gap narrows between Chinese and U.S. apples, U.S. fruit producers could increase their market share in the RFE market.

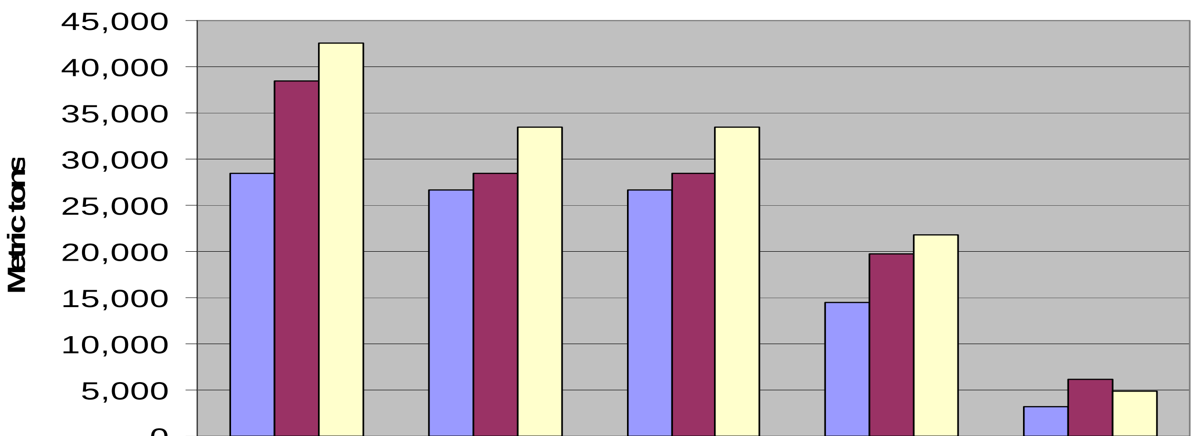
Russian Far East importers have expanded their trade networks outside of traditional Asian Pacific partners and currently import fruit products from around the world. In 2006 the RFE imported apples from Belgium and Chile, pears and citrus fruits from Argentina, Spain, Cyprus, and Egypt, and grapes from Tajikistan, Chile, and South Africa. Currently the import volumes are very low, but if the trend strengthens American fruits could face stronger competition for the REF market.

RFE importers have diversified their product lines with new fruit varieties form the U.S. In addition to the traditional pear and apple imports, grapes, lemons, oranges, and pamelos from California are now available in the RFE.

Apples

Fresh fruits sales in the region are going up. According to the RFE Statistic Committee, RFE fruit consumption per capita in 2005 was 48 kg per person per year. In 2006 total apple sales in the region increased 17% and reached 44.4 thousand MT.

Figure 7. Russian Far East: Fruit Imports



	Apples	Citrus	Bananas	Pears	Grapes
2004	28,511	26,703	26,677	14,472	3,186
2005	38,498	28,416	28,485	19,784	6,198
2006	42,511	33,497	33,507	21,856	4,823

Source: Russian Far East Customs data

According to import statistics, apples are the preferred favorite fruit in the RFE. The market share for apples, citrus and bananas, and pears is 34%, 25%, and 12%, respectively.

China and the U.S. are the main suppliers of apples to the RFE. In 2006 China increased apple exports to the RFE 14% over 2005 totals, and exported 38.8 million metric tons of apples valued at $18.6 million. Chinese varieties of Granny Smith, Gala, Golden, Delicious, and Red Delicious are similar to American varieties, and more competitive on price relative to fruit exports from other countries.

The U.S. is the 2nd largest exporter of apples to the RFE, and in 2006 U.S. apple exports to the region increased 27% to 2,048 metric tones. U.S. apples are competitively priced and slowly replacing apples from European countries. Chile is steadily increasing export volumes to the REF, and the Vladivostok ATO is monitoring the RFE to see how the market responds to Chilean apples.

Table 8. Russian Far East: Apple Imports, MY 2004-2006

	2004		2005		2006		Change in value 2005-2006
	Metric tons	1000 dollars	Metric tons	1000 dollars	Metric tons	1000 dollars	
China	26,643	$8,887	35,829	$16,282	38,809	$18,684	14%
USA	1,161	$779	1,590	$1,047	2,048	$1,337	27%
New Zealand	168	$100	461	$334	837	$544	62%
Chile	479	$306	510	$268	622	$340	26%
Other	60	$72	108	$81	196	$197	143%
Total directly imported	28,511	$10,144	38,498	$18,012	42,511	$21,102	17%
Delivered through Moscow	n/a	n/a	n/a	n/a	1,900	$950	
Grand Total	n/a	n/a	n/a	n/a	44,412	$22,052	
Source: Russian Far East Customs data and industry estimates.							

Apple Consumer Demographics

According to a product survey from the Washington Apple Commission, RFE consumers purchase apples year around, although demand is a little higher in winter. The most consumers of apples, both men and women, are 25 to 44 years of age, in general are married (65%), with one or two children under age 16 years of age. According to the survey, consumers are knowledgeable about apple varieties, and belong mainly to three different monthly income groups[3]:

- 26.6% – from 6,000 – to 10,000 rubles per person
- 29.8% – from 10,001 – to 15,000 rubles per person
- 20.8% – from 15,001 – to 20,000 rubles per person[4]

The Fuji apple is the best selling variety; Gala, Golden Delicious, Red Delicious, and Granny Smith are also popular with customers. Among active consumers, 38.5% respondents purchase at least one kilogram of apples per week. Half of the respondents prefer to buy apples in the markets, and 42% of respondents prefer the supermarket for fresh apples.

Pears

Pears are not commercially grown in the RFE and the region depends on pear imports to satisfy consumer demand. In 2005-2006, the pear market in the RFE increased 18% and totaled 23,056 metric tons.

According to the fruit traders, pears are less popular than apples in the RFE and rank 3rd in sales volume behind bananas and citrus fruits. However, according to an April 2006 consumer survey from the Northwest Pear Bureau, 45.9% of respondents stated that they

[3] Income data reflects monthly household income per person.
[4] Higher income respondents may purchase American apples more frequently; however, these respondents are not precluded from buying apples from China.

purchase pears if apples are not available.

China is the largest supplier of pears to the RFE with 84% of the market share; and China's Bartlett variety is similar to U.S. variety. The U.S. market share of the pear market is smaller; however U.S. pears are growing in popularity. In 2006 the U.S. had 10% of the RFE pear market and exported 2,383 metric tons. In 2005-2006 the value of U.S. pear exports increased 39% as consumers demanded more pears from the U.S. at premium prices.

Table 9. Russian Far East: Pear Imports, MY 2004-2006

	2004		2005		2006		Change in Value 2005-2006
	Metric tons	1000 dollars	Metric tons	1000 dollars	Metric tons	1000 dollars	
China	13,320	$4,444	17,914	$8,141	19,404	$9,342	14%
USA	1,584	$927	1,850	$1,062	2,382	$1,483	39%
Argentina					70	$77	
Total directly imported	14,904	$5,371	19,764	$9,203	21,856	$10,902	18%
Delivered through Moscow	n/a	n/a	n/a	n/a	1,200	$1,050	
Grand Total	n/a	n/a	n/a	n/a	23,056	$11,952	
Source: Russian Far East Customs data and industry estimates.							

Pear Consumer Demographics

According to research from the U.S. North West Pear Bureau, 62.1% of respondents purchase pears at least once a week, yet less that 50% of respondents recognized different pear varieties; however among knowledgeable respondents, consumers mentioned Anjou, Abbat, and Conference pears 28.5%, 13%, and 9.8% respectfully. The survey also indicated that 49.7% respondents purchase pears in the market, while 43% purchase pears from the supermarket.

Other Relevant Reports

RS7334 2007 Exporter Guide (publication pending)

RS7069 Annual FAIRS Export Certificate Report
http//www.fas.usda.gov/gainfiles/200710/146292717.pdf

RS7061 FAIRS Country Report
http//www.fas.usda.gov/gainfiles/200709/146292471.pdf

RS7011 List of Products that Require Quarantine and Phytosanitary Certificates
http://www.fas.usda.gov/gainfiles/200707/146291722.pdf

RS7311 Logistics and Transportation: St. Petersburg Port Congestion
http://www.fas.usda.gov/gainfiles/200705/146280991.pdf

RS7302 Transportation and Logistics: St. Petersburg Port Overloaded
http://www.fas.usda.gov/gainfiles/200702/146280217.pdf

RS6314 2006 Fresh Deciduous Fruit – Six Years of Consistent Market Growth
http://www.fas.usda.gov/gainfiles/200609/146228945.pdf

RS5307 2005 Fresh Deciduous Fruit Annual Report – Russia Fruit Imports Soar
http://www.fas.usda.gov/gainfiles/200510/146131221.pdf

RS5026 2005 FAIRS Product Specific Selected Fruits and Vegetables
http://www.fas.usda.gov/gainfiles/200504/146119318.pdf